

 Early Warning System

IFC-601298

Ethiopia MDI CCF



Quick Facts

Countries	Ethiopia
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	U
Voting Date	2017-07-28
Borrower	Ethiopia
Sectors	Finance
Investment Type(s)	Advisory Services
Project Cost (USD)	\$ 0.48 million



Project Description

The project will focus on the following two components:

1. Developing Commodity Collateralized Financing (CCF) for Agricultural commodities not mandated to be traded at the Ethiopia Commodity Exchange (ECX)
2. Developing Commodity Collateralized Financing (CCF) for industrial goods (raw material or processed goods) in warehouses in or linked to companies in industrial parks

Component 1 - Developing CCF for agricultural commodities not mandated to be traded at the Ethiopia Commodity Exchange (ECX)

Agriculture accounts for more than three quarters of employment, forty percent of output, and a third of total exports in Ethiopia (90 percent of goods exports). Currently, Agricultural financing is largely limited to a few commercial farms in export oriented sectors. However, the prospect for CCF for agricultural commodities is enormous given the fact that a number of smallholder farmers are already organized under marketing cooperatives and unions trading in bulk of commodities. According to the Federal Cooperatives Agency, there are 41,985 primary cooperatives nationally with a total coverage of 7.03 million smallholder farmers. These cooperatives are organized under 278 unions.

A product like CCF would enable unions to strengthen their negotiation power in the market by allowing them to defer sales until they are offered reasonable prices. It can enable them to pay their members without having to wait for the actual sales of the products. The fact of securing financing against food crop inventories also contributes to food security by a) increasing local food processing capacity; b) reducing post-harvest losses through better storage; c) contributing to improving quality of the stored goods under better conditions; and d) potentially improving prices for farmers. At the producer level, warehouses for Apex Cooperative organizations could be used to promote better storage and more orderly marketing of crops for the benefit of small holder farmers. At the processing level, collateral management and stock monitoring services would enable processors to secure needed inventories through-out the crop year and provide them with liquidity so they could offer better prices to farmers.

The project will partner with the Agricultural Transformation Agency (ATA) to promote the use of CCF for agricultural commodities under this component.

Component 2 - Developing CCF for industrial goods (raw material or processed goods) in warehouses in or linked to companies in industrial parks

The favorable prospects for CCF are further stressed by the governments recent emphasis on the importance of developing Industrial Parks (IPs) mainly aimed at attracting foreign investors. Eight industrial parks have been established so far (4 privately developed and 4 government owned); two of which are focused on textiles/garments. In addition to these industrial parks, there are plans to establish integrated agro-industrial parks focusing on processing of agricultural commodities. The first of such parks is due to open in 12 to 18 months. In such parks opportunities will arise to finance inventories. For example, agro-processors (producing wheat flour, animal feed, edible oils, beer, etc.) usually need to hold crop inventories for processing, which could be used for collateral for financing by banks. Similarly companies in industrial parks could use raw or processed goods as collateral for funding. For the textile/garment industrial park in Hawassa, while the companies in the park are well established international firms (from China, Sri Lanka, India, Indonesia, Hong Kong, etc.) and may not need local financing, their local Ethiopian suppliers are likely to be facing access to finance constraints and inventory financing could provide a solution.

The project will work with the Ethiopia Investment Commission to explore the prospects of CCF in the context of IPs.



Investment Description

- International Finance Corporation (IFC)



Contact Information

No contact information provided at the time of disclosure.

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org/>



Bank Documents

- [Project Information](#)